

Copper Rand Chibougamau Mines Ltd.

(No Personal Liability)

**The Patiño Corporation
Limited**

55 Yonge Street, Toronto, Canada

October 31st, 1962.

TO THE SHAREHOLDERS OF:

COPPER RAND CHIBOUGAMAU MINES LTD.

(No Personal Liability)

NOV 12 1962

and

THE PATIÑO CORPORATION LIMITED

This letter and the attached information accompanies Notices of Meetings of Shareholders of Copper Rand Chibougamau Mines Ltd. (No Personal Liability) ("Copper Rand") and of The Patiño Corporation Limited ("Patiño") to be held respectively at The Windsor Hotel, Montreal, Quebec on November 20th, 1962, and at the Royal York Hotel, Toronto, Ontario, on November 23rd, 1962, each at 10.00 o'clock in the forenoon (Eastern Standard Time) to consider an agreement for merging the interests of the two companies.

At meetings of the boards of directors held on October 29th, 1962, it was unanimously resolved to present to you for approval this plan to merge the interests of your Companies into a single corporate entity. Your directors consider the terms of the merger to be fair and equitable to the shareholders of both Companies. Since the Copper Rand and Patiño directors and boards of directors are interlocking (as is described in the Notice of Meeting) neither board of directors has approved the agreement but each has directed its submission to its shareholders.

The board of directors of Copper Rand at its meetings on October 29th, 1962, declared a dividend of ten cents per share payable November 16th, 1962, to shareholders of record November 9th, 1962.

The Copper Rand Meeting will consider the following matters affecting the capital structure and the corporate name of Copper Rand: (1) The reduction of the capital of Copper Rand from \$13,600,000 to \$13,599,989 by the cancellation of 11 issued shares registered in the name of H. F. Teney; this is necessary so that the issued shares may be consolidated on the basis of $6\frac{1}{2}$ for 1. (2) The consolidation of 13,599,989 issued Copper Rand shares of \$1.00 par value into 2,092,306 shares of \$6.50 par value (hereinafter sometimes called "new Copper Rand shares"), that is, one new share for each $6\frac{1}{2}$ issued shares. This consolidation does not affect in any way the value of the shareholders' equity. (3) The increase of the new authorized capital from 2,092,306 shares to 5,000,000 shares of \$6.50 par value. (4) The change of the corporate name to "The Patiño Mining Corporation" or any variation thereof acceptable to the Lieutenant-Governor of the Province of Quebec.

The Copper Rand meeting will also consider a proposed agreement dated as of October 29th, 1962, a copy of which is attached hereto (see page 5 hereof) between Copper Rand and Patiño under which Copper Rand will purchase the undertaking and all the property and assets of Patiño (except the shares in the capital stock of Copper Rand owned by Patiño) and in consideration therefor Copper Rand will: (1) issue and allot to Patiño new Copper Rand shares; (2) grant to Compañia de Bonos, Acciones y Negocios Industriales, S.A. and certain Patiño officers, all of whom presently hold options to purchase Patiño shares, options to purchase on similar terms an equivalent number (580,000) of new Copper Rand

shares; (3) assume all liabilities, contracts, disabilities and debts of Patiño, and (4) undertake to pay all costs and expenses in connection with the aforesaid transfer of assets and the cost of winding up the affairs and surrendering the charter of Patiño.

The number of new Copper Rand shares to be issued for the assets of Patiño will be such as will be sufficient, when combined with the new Copper Rand shares held by Patiño, to distribute to Patiño shareholders one new Copper Rand share for each Patiño share held. At September 30th, 1962, Patiño had 2,366,842 shares issued and outstanding and held the equivalent of 1,412,468 new Copper Rand shares. Based on a holding by Patiño of 1,412,468 new Copper Rand shares, Copper Rand will issue 954,374 new Copper Rand shares for Patiño's assets. As a result, there will be a total of 3,046,680 new Copper Rand shares issued and outstanding.

If the Copper Rand shareholders approve the said draft agreement and direct its execution and implementation, the Patiño meeting will then consider the agreement and provided it approves the same and directs its execution and implementation, the sale of the Patiño assets for new Copper Rand shares will be completed and the new Copper Rand shares then held by Patiño will be distributed to the shareholders of Patiño on a share for share basis. Thereafter, Patiño will surrender its charter.

Your attention is directed to the fact that Compañía de Bonos, Acciones y Negocios Industriales, S.A., a company owned by members of the family of the late Don Simon I. Patiño, owns 1,639,920 (69.3%) of the presently issued 2,366,842 Patiño shares and has indicated that it will vote the same in favour of the approval of the agreement. As at September 30th, 1962, Patiño held 9,181,042 (67.5%) of the 13,600,000 issued Copper Rand shares and these shares will be voted in favour of the approval of the agreement.

All matters being brought before the Copper Rand meeting concerning the reduction of capital, consolidation of shares and the increase in capital require an affirmative vote by at least 66-2/3% in value of the shares represented by shareholders present at the meeting. Other matters require a simple majority of the shares represented.

Matters being brought before the Patiño meeting require a simple majority of the shares represented except the special resolution authorizing the sale of assets which requires confirmation by at least two-thirds of the votes cast at the meeting.

The union is desirable because duplication of administration will be eliminated; a larger corporation will emerge with a broad diversification of interests (see page 23 hereof) including copper, tin, asbestos, lead, zinc, oil and gas, smelting, construction, newsprint and a race track.

The date for determining the basis of union was September 30th, 1962, at which time the bid prices for Copper Rand and Patiño shares were \$1.00 and \$8.85 respectively. On October 29th, 1962, they were \$1.23 and \$8.35 respectively.

An evaluation of the Copper Rand shares appears on page 20 hereof and, prior to the distribution of the dividend of 10¢ per share to Copper Rand shareholders of record November 9th, 1962, is \$1.40 per share.

An evaluation of Patiño is shown on page 22 hereof and is \$10.59 per share based on the market value of investments as at September 30, 1962, after reflecting the purchase of additional common and preference shares of Advocate Mines Limited under firm purchase agreements and a value of \$1.40 per

share for its holdings of Copper Rand. If the option to Compañia de Bonos, Acciones y Negocios Industriales, S.A. for 500,000 shares of Patiño should be exercised, the equity value per share would be \$9.97.

Your attention is drawn specifically to:

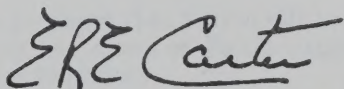
1. Agreement dated as of October 29th, 1962, between Copper Rand and Patiño to which are attached Balance Sheet of Copper Rand as at September 30th, 1962, and Statement of Profit and Loss and Surplus for the three periods from the commencement of commercial production to September 30th, 1962, together with the Auditors' Report and Consolidated Balance Sheet of Patiño as at September 30th, 1962, and Consolidated Statement of Income and Earned Surplus for the period from June 11th to September 30, 1962 together with the Auditors' Report (page 5).
2. Pro Forma Consolidated Balance Sheet of The Patiño Mining Corporation as at September 30, 1962 (pages 16 and 17).
3. Evaluation of Copper Rand shares (page 20).
4. Evaluation of net assets of Patiño (page 22).
5. Description of certain assets of Patiño to be held by The Patiño Mining Corporation (page 23).
6. Pro Forma Diagram of the holdings of The Patiño Mining Corporation (page 29).

Enclosed herewith is a form of proxy which we would ask you to complete, where applicable, and return in the enclosed envelope.

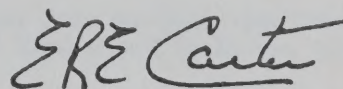
On behalf of the boards of directors of

COPPER RAND CHIBOUGAMAU MINES LTD.
(No Personal Liability)

THE PATIÑO CORPORATION
LIMITED



President.



President.

Agreement

THIS AGREEMENT made as of the 29th day of October, 1962,
BETWEEN :

THE PATIÑO CORPORATION LIMITED,
a Company duly incorporated under
the laws of the Province of Ontario,
(hereinafter called "Patiño")

OF THE FIRST PART;

— and —

COPPER RAND CHIBOUGAMAU MINES LTD.,
(No Personal Liability), a Company duly
incorporated under the laws of the
Province of Quebec,
(hereinafter called "Copper Rand")

OF THE SECOND PART;

WHEREAS Patiño is incorporated under the laws of the Province of Ontario with an authorized capital divided into 5,000,000 common shares without par value of which 2,366,842 shares are issued as fully paid; and

WHEREAS in connection with the acquisition of shares of General Tin Investments Limited in April 1962 Compañía de Bonos, Acciones y Negocios Industriales, S.A. (hereinafter called "Cobanisa") holds an option irrevocable to and including July 31st, 1967, to purchase 500,000 fully paid shares without par value of Patiño at the price of \$7.00 (Canadian funds) per share; and

WHEREAS Patiño has under an executive employee stock option incentive plan granted options to certain officers of Patiño to purchase an aggregate of 80,000 fully paid shares without par value of its capital (65,000 of said shares at the price of \$4.00 (Canadian funds) per share and 15,000 of said shares at the price of \$8.00 (Canadian funds) per share); and

WHEREAS subject to being granted options to purchase shares of Copper Rand as hereinafter provided for Cobanisa and the officers of Patiño above referred to have agreed to release Patiño from all liability with respect to its obligations to issue shares of Patiño and with respect to the said options to them; and

WHEREAS it is proposed that Patiño sell to Copper Rand and Copper Rand purchase from Patiño the undertaking, property and assets of Patiño except the shares of Copper Rand owned by Patiño, upon the terms and conditions following.

NOW THEREFORE THIS AGREEMENT WITNESSETH as follows:

1. Representations.

(a) Patiño represents and warrants:

- (i) That it is a valid and subsisting corporation under the laws of the Province of Ontario.
- (ii) That the audited Financial Statements of Patiño as at September 30th, 1962, (a true copy of which is annexed as Schedule "A" hereto) truly set forth Patiño's financial position as at that date.
- (iii) That it will not declare or pay any dividend or make any other distribution of its assets amongst its shareholders except as herein provided.
- (iv) That at the time of closing there will be 2,946,842 shares in its capital issued and outstanding, or subject to issue, including shares subject to issue pursuant to the said options granted to Cobanisa and certain officers of Patiño to purchase in the aggregate 580,000 shares of Patiño as aforesaid.

- (v) That at the time of closing it will be the owner of the equivalent of a minimum of 9,200,000 shares of the capital stock of Copper Rand as constituted at the date hereof.
- (b) Copper Rand represents and warrants:
 - (i) That it is a valid and subsisting corporation under the laws of the Province of Quebec with an authorized capital of \$13,600,000 divided into 13,600,000 shares with a par value of \$1.00 each all of which are issued as fully paid.
 - (ii) That it is and will be at the time of closing the owner free of all hypothecs, mortgages, encumbrances, charges and liens of the mining properties, plant, buildings and equipment which it presently owns, save and except that Copper Rand has agreed to give a purchase money mortgage on a certain mining property which it has agreed to purchase from Bouzan Mines Limited.
 - (iii) That the audited Financial Statements of Copper Rand as at September 30th, 1962, (a true copy of which is annexed as Schedule "B" hereto) truly set forth Copper Rand's financial position as at that date.
 - (iv) That with the exception of the payment of a dividend of 10¢ per share declared by Copper Rand and payable to its shareholders of record November 9th, 1962, it will not prior to the time of closing declare or pay any dividend or make any other distribution of its assets amongst its shareholders.
- (c) Each of Patiño and Copper Rand represents and warrants to the other with respect to itself that from the date hereof to the time of closing:
 - (i) its business will be conducted in the ordinary course and to its best advantage;
 - (ii) no change shall be made in its Letters Patent, By-laws or authorized, allotted, issued and outstanding shares except as in this Agreement mentioned;
 - (iii) there shall be no increase in the fixed compensation payable nor shall any bonus be paid to, or any bonus or profit sharing arrangement be made with any employee, officer, director or shareholder.

2. Approval and Acceptance of Agreement.

This Agreement is conditional upon and subject to:

- (a) The approval of same by the shareholders of Patiño at a general meeting called to consider same and by the shareholders of Copper Rand at a special general meeting called to consider same.
- (b) Patiño through its directors and shareholders duly approving requisite By-laws and/or resolutions authorizing the sale of its undertaking, property and assets pursuant to the terms hereof, the distribution of its assets rateably amongst its shareholders and an application for the surrender of its charter.
- (c) The issuance to Copper Rand of the Supplementary Letters Patent referred to in Clause 4 hereof and the due enacting and filing by Copper Rand under the laws of the Province of Quebec of a premium and discount By-law pertaining to the additional shares to be created by such Supplementary Letters Patent and the listing for trading of such shares on the Toronto and Canadian Stock Exchanges.
- (d) Each of Patiño and Copper Rand meeting the requirements, if any, under The Securities Act of Ontario and The Securities Act of Quebec.
- (e) Patiño and Copper Rand (if required under the regulations of the Toronto Stock Exchange and the Canadian Stock Exchange) filing with and having accepted by such Exchanges a Filing Statement setting forth the terms of this Agreement and other required material.
- (f) Messrs. Holden, Murdoch, Walton, Finlay, Robinson & Pepall as Counsel, giving their legal opinion that the requirements of this Clause 2 have been met.

Should the requirements of this Clause 2 be met by November 29th, 1962, or within such later period or periods as the Boards of Directors of the parties hereto consent to in writing, then this Agreement shall remain and continue in full force and effect; if not so met this Agreement shall then become void and cease to have any force or effect.

3. Effective date of this Agreement.

The term "effective date" used herein shall mean the date that all the requirements of Clause 2 herein are met.

4. Changes in the capital of Copper Rand.

- (a) Copper Rand shall cause a special general meeting of its shareholders to be held to consider and if deemed advisable to approve, ratify, sanction and confirm a by-law:
 - (i) reducing its capital from \$13,600,000 to \$13,599,989 by the cancellation of 11 shares registered in the name of H. F. Teney;
 - (ii) consolidating the 13,599,989 issued shares of Copper Rand on the basis of 6½ for 1 new share into 2,092,306 issued shares of the par value of \$6.50 each so that the capital of Copper Rand shall be \$13,599,989 divided into 2,092,306 shares of the par value of \$6.50 each;
 - (iii) increasing the capital of Copper Rand from the sum of \$13,599,989 to the sum of \$32,500,000 by the creation of 2,907,694 additional shares of the par value of \$6.50 each so that the authorized capital of Copper Rand will be \$32,500,000 divided into 5,000,000 shares of the par value of \$6.50 each; and
 - (iv) authorizing an application to the Lieutenant-Governor of the Province of Quebec for Supplementary Letters Patent confirming the by-law.

The 5,000,000 shares of Copper Rand of the par value of \$6.50 each resulting from the consolidation and increase as aforesaid are hereinafter referred to as "New Shares".

- (b) After the issuance of said Supplementary Letters Patent the Directors of Copper Rand shall enact a discount and premium by-law authorizing the said additional 2,907,694 New Shares created as above described to be issued at such price or prices (so that the sale price of each New Share shall be not less than \$4.00 per New Share and not more than \$15.00 per New Share), at such times and in such manner and on such terms and conditions as the Directors of Copper Rand may from time to time by resolution determine, and thereafter the shareholders of Copper Rand shall at an adjourned session of the said special general meeting consider and if deemed advisable approve, ratify, sanction and confirm said discount and premium by-law.

5. Sale of Assets of Patiño to Copper Rand.

- (a) Forthwith after the effective date Patiño shall sell and transfer to Copper Rand and Copper Rand shall purchase from Patiño all the undertaking, property and assets of Patiño except the shares of Copper Rand owned by Patiño.
- (b) As consideration for the transfer to Copper Rand of the said undertaking, property and assets of Patiño, Copper Rand covenants and agrees with Patiño:
 - (i) to allot and issue to Patiño such number of fully paid New Shares of the capital stock of Copper Rand as shall equal the number of shares of Patiño issued and outstanding at the effective date less the number of New Shares of the capital stock of Copper Rand owned by Patiño at the effective date;
 - (ii) to grant to Cobanisa an option irrevocable to and including July 31st, 1967, to purchase 500,000 New Shares of its capital stock at the price of \$7.00 (Canadian funds) per share;
 - (iii) to grant to the officers of Patiño who presently hold options to purchase shares of that Company options to purchase in the aggregate 80,000 New Shares of its capital stock at the same price and upon the same terms and conditions as pertain to the existing options granted by Patiño to such officers;
 - (iv) to assume all liabilities, contracts, disabilities and debts of Patiño; and
 - (v) to pay all costs and expenses of the transfer of the undertaking, property and assets of Patiño to it and the costs of winding up the affairs of Patiño and the surrender of its charter.

6. Closing.

This transaction shall be closed at The Eastern Trust Company, 111 Prince William Street, St. John, New Brunswick, forthwith after the effective date and in any event not later than the 30th day of November, 1962, unless the Boards of Directors of the parties hereto agree upon a later date for the closing.

At the closing Patiño shall deliver to Copper Rand such deeds, conveyances, assurances, transfers and assignments as may be required to vest in Copper Rand free of encumbrance all the undertaking, property and assets of Patiño and Copper Rand shall deliver to Patiño a certificate or certificates for the number of shares to be allotted and issued to Patiño as provided for in Clause 5 (b) (i) hereof as part consideration for the transfer of its undertaking, property and assets.

7. Winding up of Patiño.

On the closing of this transaction Patiño will distribute the 2,366,842 New Shares of Copper Rand which will be owned by it, rateably amongst its shareholders so that each shareholder of Patiño will receive 1 New Share of Copper Rand for each share of Patiño owned by such shareholder, and Patiño will surrender its charter.

8. Change of Name of Copper Rand.

It is understood that the name of Copper Rand shall be changed to The Patiño Mining Corporation (No Personal Liability) or any variation thereof acceptable to the Lieutenant-Governor of the Province of Quebec, and Patiño agrees to give its consent to the use of such name.

9. Further Assurances.

Each of the parties hereto agrees with the other that it will do all acts and things and execute all such deeds and documents as may be deemed expedient, necessary or desirable to carry out the intent and purpose of this Agreement.

10. Time of Essence.

Time shall be of the essence of this Agreement.

IN WITNESS WHEREOF the parties hereto have executed and delivered these presents.

SIGNED, SEALED AND DELIVERED

in the presence of:

THE PATIÑO CORPORATION LIMITED

By _____

And _____

COPPER RAND CHIBOUGAMAU MINES
LTD. (No Personal Liability)

By _____

And _____

THE PATIÑO CORPORATION LIMITED

(Resulting from the amalgamation of Pat Mines Limited and The Nipissing Mines Company Limited
on June 11, 1962, under the laws of Ontario)

AND SUBSIDIARIES CONSOLIDATED

Consolidated Balance Sheet as at September 30, 1962

ASSETS

CURRENT ASSETS:

Dividends and other accounts receivable	\$ 108,231	
Marketable securities, at cost		
(Quoted market value — \$456,421)	766,110	
		\$ 874,341

OTHER ASSETS:

Investments in mining and other companies, at cost (Note 2)	16,585,283	
Investments in and advances to non-consolidated subsidiary companies, at cost (Note 3)	14,321,152	
Participation in Rothesay Syndicate	120,256	
Miscellaneous, including deferred expenses	49,690	
		31,076,381
		<u>\$31,950,722</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

Bank loans and overdrafts (secured)	\$10,874,812	
Accounts payable and accrued charges	575,194	
		\$11,450,006

SHAREHOLDERS' EQUITY:

Capital stock (Note 4) —		
Authorized — 5,000,000 shares without par value		
Issued — 2,366,842 shares	17,359,008	
Contributed surplus (unchanged since June 11, 1962)	2,313,949	
Earned surplus, per statement	827,759	
		20,500,716
		<u>\$31,950,722</u>

Approved on behalf of the Board:

E. R. E. CARTER, Director.

G. C. ANDREW, Director.

(See accompanying notes to consolidated financial statements)

THE PATIÑO CORPORATION LIMITED

AND SUBSIDIARIES CONSOLIDATED

Consolidated Statement of Income and Earned Surplus

For the period from June 11, 1962 to September 30, 1962

Dividend income		\$ 33,043
EXPENSES:		
Legal fees	\$ 19,692	
Depreciation	1,600	
Corporate expenses, including stock transfer and other fees	4,053	
Other administrative and general expenses	58,980	
Interest	128,181	
Loss from security trading transactions of subsidiaries	28,743	
Profit on sale of fixed assets	(5,249)	
		<u>236,000</u>
		(202,957)
Withholding taxes		<u>13,667</u>
Net loss for the period		(216,624)
Consolidated earned surplus, June 11, 1962	798,335	
Net profit on disposal of investments	246,048	
		<u>1,044,383</u>
Consolidated earned surplus, September 30, 1962		<u>\$ 827,759</u>

(See accompanying notes to consolidated financial statements)

THE PATIÑO CORPORATION LIMITED

AND SUBSIDIARIES CONSOLIDATED

Notes to Consolidated Financial Statements

AS AT SEPTEMBER 30, 1962

1. Reference to quoted market value denotes closing prices on September 30, 1962. It should be noted, particularly with respect to substantial holdings, that the values may be more or less than indicated by market quotations.

2. The investments in mining and other companies consist of the following:

Associated companies —

Consolidated Tin Smelters Ltd. — shares of £1 each

General Tin Investments Limited — shares of 5/- each

The Southern Maryland Agricultural Association of Prince George's County, Maryland, Inc. — common shares.

Other companies —

Advocate Mines Limited — common and preference shares

Alminex Limited — common shares

Brunswick Mining and Smelting Corporation Limited — common shares

Canadian Dredge and Dock Company Limited — common shares

East Coast Smelting and Chemical Company Limited — common shares and advances

Southwest Forest Industries Inc. — 5½% debenture.

The preference shares and debenture referred to above are not quoted on the market and these together with an advance are carried at a total amount of \$1,707,958. Other investments had a quoted market value of \$19,029,774 at September 30, 1962 (see Note 1).

3. The amount shown for investments in and advances to non-consolidated subsidiary companies relates almost entirely to the Company's investment in Copper Rand Chibougamau Mines Ltd. (No Personal Liability). Such investment represents 67.5% of the outstanding shares of that company as at September 30, 1962 and had a quoted market value of \$9,181,042 at that date. The accounts of that company were not included in the attached consolidated statements because of the nature of its activities and the fact that financial statements of Copper Rand as at September 30, 1962 are being made available concurrently with the attached consolidated accounts.

The remaining amount relates to investments in and advances to two small wholly-owned subsidiaries (carried at \$40,379) the accounts of which have not been included in the consolidation as the assets and operations are relatively unimportant.

4. (a) Options to purchase 5,000 unissued shares of the Company (expiring on December 31, 1963) and 60,000 shares (expiring on June 18, 1971) at \$4.00 per share and 15,000 shares (expiring on May 21, 1972) at \$8.00 per share were outstanding as at September 30, 1962 under an executive incentive plan.

- (b) An option to Compañía de Bonos, Acciones y Negocios Industriales S.A. for the purchase of 500,000 unissued shares of the Company (expiring on July 31, 1967) at the price of \$7.00 per share was outstanding as at September 30, 1962.
5. As at September 30, 1962 the Company had commitments:
- (a) To advance a further amount of \$1,666,738 to Advocate Mines Limited against delivery of additional preference and common shares.
- (b) The Company is obligated, under certain conditions, to advance up to \$1,000,000 to Rothesay Syndicate of which it is a member, which syndicate was formed to investigate the feasibility of constructing a newsprint mill in New Brunswick. As at September 30, 1962 \$120,256 thereof had already been advanced.
6. The Company is contingently liable as at September 30, 1962 with respect to its guarantee of bank loans to The Southern Maryland Agricultural Association of Prince George's County, Maryland, Inc. in the amount of \$1,850,000 (U.S.).

AUDITORS' REPORT

To the Shareholders of
THE PATIÑO CORPORATION LIMITED:

We have examined the consolidated balance sheet of The Patiño Corporation Limited and subsidiaries consolidated as at September 30, 1962 and the consolidated statement of income and earned surplus for the period from June 11, 1962 (the date of the amalgamation of Pat Mines Limited and The Nipissing Mines Company Limited under the name of The Patiño Corporation Limited) to September 30, 1962. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of income and earned surplus, with the notes thereto, present fairly the financial position of The Patiño Corporation Limited and subsidiaries consolidated as at September 30, 1962 and the results of their operations for the period ended on that date in accordance with generally accepted accounting principles.

Toronto, Canada,
October 26, 1962.

PRICE WATERHOUSE & CO.,
Chartered Accountants.

COPPER RAND CHIBOUGAMAU MINES LTD.

(No Personal Liability)

Balance Sheet—September 30, 1962

ASSETS

CURRENT:

Cash	\$ 46,627	
Short-term investments	1,500,000	
Estimated amount receivable for shipments of concentrates	2,950,427	
Inventory of mine and mill stores, at cost	458,215	
Prepaid expenses	76,032	
		\$ 5,031,301

PROPERTY, PLANT AND EQUIPMENT, at cost:

Mine buildings, plant and equipment	6,986,970	
Townsite land and houses	814,876	
	7,801,846	
Less — Accumulated depreciation	2,999,242	
	4,802,604	
Mining properties	4,344,943	
		9,147,547

OTHER:

Preproduction and deferred development expenditures	14,407,610	
Less — Amortization	2,720,926	
	11,686,684	
Deposits and other accounts receivable	82,107	
		11,768,791
		<u>\$25,947,639</u>

LIABILITIES

CURRENT:

Accounts payable and accrued liabilities	\$ 298,291	
Mining tax payable	104,915	
		\$ 403,206

NON-CURRENT:

Bouzan Mines Limited, for acquisition of interest in mining property, payable in instalments on December 31, 1963 to 1968		1,800,000
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CAPITAL STOCK AND SURPLUS:

Capital stock —		
Authorized and issued — 13,600,000 shares of \$1.00 par value	13,600,000	
Premium on shares issued	9,808,827	
	23,408,827	
Earned surplus, per statement	335,606	
		23,744,433
		<u>\$25,947,639</u>

Approved on behalf of the Board:

E. R. E. CARTER, Director.

G. C. ANDREW, Director.

(See accompanying notes to financial statements)

COPPER RAND CHIBOUGAMAU MINES LTD.

(No Personal Liability)

Statement of Profit and Loss and Earned Surplus

For the period from Commencement of Commercial Production (Note 1) to September 30, 1962

	Nine months ended September 30, 1962	Year ended December 31, 1961	Commencement of commercial production to December 31, 1960
Tons of ore milled	480,821	604,480	454,145
Gross revenue from metal shipments	\$7,911,755	\$ 9,565,464	\$ 6,718,677
Smelting, refining and freight expense	1,759,687	2,180,085	1,572,947
Net revenue from metal shipments	6,152,068	7,385,379	5,145,730
COSTS:			
Mine operating, milling and general expenses (Note 3)	2,936,900	3,681,876	2,169,220
Corporate and administrative expenses	190,502	301,917	165,347
Outside exploration	—	45,843	17,086
Bond interest	27,000	396,667	494,226
Amortization of bond discount (Note 2)	—	384,999	148,648
Provision for depreciation	694,289	880,675	615,806
Preproduction and deferred development expenses written off	848,451	1,050,040	822,434
Loss on sale of fixed assets	—	70,768	—
	4,697,142	6,812,785	4,432,767
	1,454,926	572,594	712,963
OTHER INCOME:			
Management fees and income from contracts	—	7,202	99,003
Interest and dividends	21,572	16,333	45,484
Profit from sale of investments	—	—	17,733
Sundry	5,150	6,441	72,963
	26,722	29,976	235,183
	1,481,648	602,570	948,146
Provision for mining tax (Note 1)	85,000	70,000	50,000
NET PROFIT FOR THE PERIOD (Note 3)	1,396,648	532,570	898,146
Deficit, beginning of period	(1,061,042)	(1,593,612)	(2,491,758)
Earned surplus (deficit), end of period	<u>\$ 335,606</u>	<u>\$(1,061,042)</u>	<u>\$(1,593,612)</u>

(See accompanying notes to financial statements)

COPPER RAND CHIBOUGAMAU MINES LTD.

(No Personal Liability)

Notes to Financial Statements

AS AT SEPTEMBER 30, 1962

1. In the accompanying statement of profit and loss the commencement of commercial production at the Copper Rand and Jaculet mines was regarded as February 1, 1960 and at the Portage mine as December 1, 1960. For income tax purposes however, the commencement of the tax exempt period for the Portage mine is deemed to be October 1, 1960.

No provision was necessary for Federal income taxes in any of the periods indicated on the statement of profit and loss and earned surplus as the company's mining profits have, to date, been exempt therefrom.

2. In view of the plan whereby all outstanding bonds were redeemed on February 1, 1962, bond discount was fully written off in 1961. Had the method used in 1960 for amortizing bond discount been continued the charge for amortization in 1961 would have been \$225,000 less and in the period ended September 30, 1962 \$225,000 more; the net profits in 1961 and 1962 would then have been correspondingly higher and lower respectively.

3. During the year 1962, certain development items that had been written off in 1960 and 1961 were reclassified as deferred expenditures. This adjustment had the effect of increasing the net profits for 1960 and 1961, as reported in the annual accounts for these years, by \$95,342 and \$185,344 respectively.

AUDITORS' REPORT

To the Shareholders of

COPPER RAND CHIBOUGAMAU MINES LTD.

(No Personal Liability):

We have examined the balance sheet of Copper Rand Chibougamau Mines Ltd. (No Personal Liability) as at September 30, 1962 and the related statement of profit and loss and earned surplus for the three fiscal periods from the commencement of commercial production to September 30, 1962 and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, the accompanying balance sheet and statement of profit and loss and earned surplus, with the notes thereto, are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at September 30, 1962 and the results of its operations for the three fiscal periods then ended in accordance with generally accepted accounting principles consistently applied, except for the method of amortizing bond discount, with which we agree, as explained in Note 2 to the financial statements.

Toronto, Canada,
October 26, 1962.

PRICE WATERHOUSE & CO.,
Chartered Accountants.

THE PATIÑO MI

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(formerly named Copper
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AND SUBSID

PRO FORMA CONSOLIDATED BALANCE SHEET

After giving effect to the transacti

ASSETS

CURRENT:

Cash	\$ 1,104,720
Marketable securities, at cost to vendor company (quoted market value \$456,421)	766,110
Accounts receivable	158,039
Estimated amount receivable for shipments of concentrates	2,950,427
Inventory of mine and mill stores, at cost	458,215
Prepaid expenses	76,032
	<hr/>
	\$ 5,513,543

INVESTMENTS IN MINING AND OTHER COMPANIES,

at cost to vendor company (Note 5)	16,585,283
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INVESTMENTS IN AND ADVANCES TO NON-CONSOLIDATED

SUBSIDIARY COMPANIES, at cost to vendor company (Note 6)	40,379
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PROPERTY, PLANT AND EQUIPMENT, at cost:

Mine buildings, plant and equipment	7,026,861
Townsite land and houses	814,876
	<hr/>
	7,841,737
Less — Accumulated depreciation	3,032,140
	<hr/>
	4,809,597
Mining properties	4,344,943
	<hr/>
	9,154,540

OTHER:

Preproduction and deferred development expenditures	14,407,610
Less — Amortization	2,720,926
	<hr/>
	11,686,684
Miscellaneous, including deferred expenses	195,252
	<hr/>
	11,881,936
	<hr/>
	<u>\$43,175,681</u>

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ONSOLIDATED

SEPTEMBER 30, 1962

in accompanying Notes 1, 2 and 3

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT:

Bank loans and overdrafts (secured)	\$10,874,812	
Accounts payable and accrued charges	873,485	
Mining tax payable	104,915	
	<hr/>	\$11,853,212

NON-CURRENT:

Bouzan Mines Limited, for acquisition of interest in mining property, payable in instalments on December 31, 1963 to 1968	1,800,000
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SHAREHOLDERS' EQUITY:

Capital stock (Notes 2, 3 and 7) —		
Authorized —		
5,000,000 shares of the par value of \$6.50 each	<u>\$32,500,000</u>	
Issued —		
3,046,680 shares	\$19,803,420	
Premium on shares issued	9,383,443	
Earned surplus	<u>335,606</u>	
		29,522,469

(See accompanying notes)

\$43,175,681

THE PATIÑO MINING CORPORATION

(No Personal Liability)

(formerly named Copper Rand Chibougamau Mines Ltd.

(No Personal Liability))

AND SUBSIDIARIES CONSOLIDATED

Notes to Pro Forma Consolidated Balance Sheet

AS AT SEPTEMBER 30, 1962

Notes referred to in the headnote to the pro forma consolidated balance sheet:

1. The payment of a dividend of 10 cents per share by Copper Rand Chibougamau Mines Ltd. (No Personal Liability) to shareholders of record November 9, 1962 on a total of 13,600,000 shares outstanding, prior to the consolidation of its capital stock.
2. The purchase by Copper Rand Chibougamau Mines Ltd. (No Personal Liability) from The Patiño Corporation Limited of all its undertaking, property and assets (other than its shareholding in Copper Rand) and as consideration therefor, the issue of 954,374 shares of the par value of \$6.50 each of the Company (see Note 3), the assumption of the liabilities and obligations of Patiño, the granting of certain stock options (see Note 7), and the payment of transfer costs relating to the purchase — under an agreement dated October 29, 1962, which is subject to approval at general meetings of the shareholders of The Patiño Corporation Limited and Copper Rand Chibougamau Mines Ltd. (No Personal Liability).

The value assigned to the shares of the Company issued as above is, in view of the character of the purchase transaction, equal to the book value of the assets, less liabilities, purchased from The Patiño Corporation Limited.

3. Subject to approval by the shareholders of Copper Rand Chibougamau Mines Ltd. (No Personal Liability) and confirmation by Supplementary Letters Patent:
 - (a) The reduction of the capital stock to a total of 13,599,989 shares outstanding by the cancellation of 11 shares.
 - (b) The consolidation of the capital stock on the basis of 1 for 6½ into 2,092,306 shares of the par value of \$6.50 each.
 - (c) The increase in the capital stock so that the authorized capital shall consist of \$32,500,000 divided into 5,000,000 shares of the par value of \$6.50 each.
 - (d) The change in the company's name to The Patiño Mining Corporation (No Personal Liability).

Other notes:

4. Reference to quoted market value denotes closing prices on September 30, 1962. It should be noted, particularly with respect to substantial holdings, that the values may be more or less than indicated by market quotations.

5. The investments in mining and other companies consist of the following:

Associated companies —

Consolidated Tin Smelters Ltd. — shares of £1 each

General Tin Investments Limited — shares 5/- each

The Southern Maryland Agricultural Association of Prince George's County, Maryland, Inc. — common shares

Other companies —

Advocate Mines Limited — common and preference shares

Alminex Limited — common shares

Brunswick Mining and Smelting Corporation Limited — common shares

Canadian Dredge and Dock Company Limited — common shares

East Coast Smelting and Chemical Company Limited — common shares and advances

Southwest Forest Industries Inc. — 5½% debenture

The preference shares and debenture referred to above are not quoted on the market and these together with an advance are carried at a total amount of \$1,707,958. Other investments had a quoted market value of \$19,029,774 at September 30, 1962 (see Note 4).

6. The investments in and advances to non-consolidated subsidiary companies (carried at \$40,379) relate to two small wholly-owned subsidiaries, the assets and operations of which are relatively unimportant.
7. (a) Options to purchase 5,000 unissued shares of the Company (expiring on December 31, 1963) and 60,000 shares (expiring on June 18, 1971) at \$4.00 per share and 15,000 shares (expiring on May 21, 1972) at \$8.00 per share were outstanding as at September 30, 1962 under an executive incentive plan.
- (b) An option to Compañía de Bonos, Acciones y Negocios Industriales, S.A. for the purchase of 500,000 unissued shares of the Company (expiring on July 31, 1967) at the price of \$7.00 per share was outstanding as at September 30, 1962.
8. As at September 30, 1962 the Company had commitments:
- (a) To advance a further amount of \$1,666,738 to Advocate Mines Limited against delivery of additional preference and common shares.
- (b) The Company is obligated, under certain conditions, to advance up to \$1,000,000 to Rothesay Syndicate of which it is a member, which syndicate was formed to investigate the feasibility of constructing a newsprint mill in New Brunswick. As at September 30, 1962 \$120,256 thereof had already been advanced.
9. The Company is contingently liable as at September 30, 1962 with respect to its guarantee of bank loans to The Southern Maryland Agricultural Association of Prince George's County, Maryland, Inc. in the amount of \$1,850,000 (U.S.).

COPPER RAND CHIBOUGAMAU MINES LTD.

Evaluation of Ore Reserves and Other Assets

AS AT SEPTEMBER 30, 1962

ORE RESERVES:	Tons	Cu	Au
Proven and Probable Ore (to 150 feet below lowest stoping levels)	4,062,500	2.62	0.07
Possible Ore	2,600,000	2.34	0.04
Total	6,662,500	2.51	0.06

BASIS OF EVALUATION:

Annual tonnage	650,000 tons		
Recovery	Cu 96.0%	Au 85.0%	Ag 40.0%
Metal prices	Cu \$0.30/lb.	Au \$36.00/oz.	Ag \$1.10/oz.

PRESENT WORTH OF ORE RESERVES:	1962 (3 mos.) to 1965	1966-1968	1969-1972
Tons to Mill	2,112,500	1,950,000	2,600,000
Estimated operating costs	\$ 7.51	7.70	7.70
Estimated operating profit per ton	5.27	5.13	5.13
Total operating profit	11,132,875	10,003,500	13,338,000
Less Provincial Tax	335,000	350,000	490,000
Sub-total	\$10,797,875	9,653,500	12,848,000
Estimated Income Tax	\$ —	—	1,176,170
Capital expenditure and deferred development	2,150,000	1,950,000	2,600,000
Sub-total	\$ 2,150,000	1,950,000	3,776,170
Cash flow	\$ 8,647,875	7,703,500	9,071,830
Payment to Bouzan	900,000	900,000	—
Cash available	\$ 7,747,875	6,803,500	9,071,830
Present value	\$ 6,548,240	4,238,047	4,119,840
(10% discount factor taken annually)			

Total present value of earnings — \$14,905,767 = \$1.10 per issued share

Evaluation of Ore Reserves and Other Assets (continued)

PRESENT WORTH OF OTHER ASSETS:

Cash and short term notes		\$ 1,546,627
Concentrates (Cu valued at 30¢)	\$ 3,062,304	
Inventory of stores	458,215	
Prepaid expense	76,031	
Deposits and accounts receivable	82,107	
Sub-total	<u>\$ 3,678,657</u>	
Less: Accounts payable, accrued liabilities and mining tax	403,206	
Sub-total	<u>\$ 3,275,451</u>	
Present value of \$3,275,451 (discounted at 6% taken annually until 1972)		\$ 1,827,702
Salvage value of mill and mine equipment (\$1,400,000 discounted at 6% taken annually)		<u>700,000</u>
Total present value of other assets		<u>\$ 4,074,329</u>
Total present value of other assets per issued share		\$ 0.30

PRESENT WORTH OF COPPER RAND SHARES:

	Total	Per Share
Present value of ore reserves	\$14,905,767	\$ 1.10
Present value of other assets	4,074,329	.30
Total present worth	<u>\$18,980,096</u>	<u>\$ 1.40</u>

THE PATIÑO CORPORATION LIMITED

PRO FORMA SCHEDULE SHOWING ESTIMATED VALUE OF NET ASSETS AS AT SEPTEMBER 30, 1962

Shareholders' equity:

Per consolidated balance sheet	\$20,500,716
Adjustment to substitute quoted market values of investments for book values	(1,256,971)
	<hr/>
	\$19,243,745
Increment indicated, after giving effect as at September 30, 1962 to:	
(a) The purchase of additional preference and common shares of Advocate Mines Limited under financing agreement	2,145,412
(b) A valuation of \$1.40 per share for the shares of Copper Rand Chibougamau Mines Ltd. in accordance with the attached valuation thereof	3,672,417
	<hr/>
	\$25,061,574
	<hr/>
Based on 2,366,842 shares outstanding, the estimated net asset value per share is	\$10.59
	<hr/>
If the option held by Compañia de Bonos, Acciones y Negocios Industriales, S.A., to purchase 500,000 unissued shares of the Company at \$7.00 per share should be exercised, the Company's issued capital would be 2,866,842 shares and the estimated net asset value per share would be	\$9.97
	<hr/>

PRO FORMA SCHEDULE OF PRINCIPAL INVESTMENTS AS AT SEPTEMBER 30, 1962

After giving effect to the transaction shown in (a) of the above pro forma schedule showing the estimated value of net assets.

30,967 shs.	Advocate Mines Limited — 4½% Cumulative Redeemable Preference shares (\$100 par value)
1,023,676 shs.	Advocate Mines Limited — common
250,000 shs.	Alminex Limited — common
1,066,400 shs.	Brunswick Mining and Smelting Corporation Limited — common
28,920 shs.	Canadian Dredge & Dock Co. Limited — common
97,800 shs.	Consolidated Tin Smelters Limited — ordinary
9,181,042 shs.	Copper Rand Chibougamau Mines Ltd. — common
1,667 shs.	East Coast Smelting and Chemical Company Ltd. — common
4,489,445 shs.	General Tin Investments Limited — ordinary
10%	The Rothesay Syndicate
314,052 shs.	The Southern Maryland Agricultural Association of Prince George's County, Maryland, Inc. — common

Description of Certain Assets to be held

by

The Patiño Mining Corporation

(No Personal Liability)

ADVOCATE MINES LIMITED

Patiño holds in excess of 17% of the shares of Advocate Mines Limited. In July 1963, Advocate will bring into production an asbestos property one and one-half miles from tidewater at Baie Verte on the north-east coast of Newfoundland. The presently estimated ore reserves are 41.3 million tons containing high Group 4D fibre. Under a management agreement with Canadian Johns-Manville Company, Limited, Advocate is building a 5,000-ton per day mill and ancillary facilities.

Under a sales agreement, Canadian Johns-Manville, the largest producer of asbestos in the free world, and a wholly-owned subsidiary of Johns-Manville Corporation of the United States, one of the world's largest consumers and fabricators of asbestos products, and the Eternit Group, the largest asbestos consumers and fabricators in the European Common Market, will purchase a minimum of 25,000 tons of Group 4 fibre annually at market prices. The majority of Advocate's production will be Group 4 fibre and on an ore-treatment basis of 5,000 tons per day the contracted tonnage will amount to approximately 50% of the output of this fibre.

Financing is being provided by Patiño, Canadian Johns-Manville and the Eternit Group to the extent of \$18,000,000 repayable out of 75% of Advocate's first net profits. In addition, bank loans up to \$7,000,000 have been arranged.

As Canadian Johns-Manville and the Eternit Group are both substantial shareholders in Advocate, and major consumers of asbestos and as it will be to Advocate's benefit to obtain maximum profits during the three-year tax-free period, it is reasonable to expect that Advocate will achieve a high rate of production soon after start up.

ALMINEX LIMITED

Alminex is an important independent oil and gas company in Western Canada holding gross reservations and leases in Alberta, Saskatchewan, British Columbia, the Yukon and the Northwest Territories aggregating 3,421,480 acres and proven drilled and undrilled reserves of approximately 24.3 million barrels of oil and natural gas liquids and 168 billion cubic feet of natural gas.

Its partnership with Home Oil Company Limited has resulted in a highly successful exploration and development program. Alminex now holds interests in excess of ten percent in 98 wells in the Swan Hills field and is continuing a substantial development program in that area. In the first six months of 1962 it participated in fifteen development wells of which thirteen were successful oil well completions and one a gas well. Alminex also holds a twenty-five percent interest in a successfully completed wildcat oil well. Further drilling will be undertaken shortly to delineate the indicated new oil field.

The National Oil Policy established by the Canadian Government in 1961 has proven beneficial to western Canadian oil producers. This policy has contributed to Alminex's greatly improved operations in 1962. During the first six months of 1962, oil and condensate production rose to 2,322 bbls. per day from 2,055 bbls. in the same period of 1961 while gas production increased to 9.7 million cubic feet per day from 7.2 million cubic feet per day. Net production income after royalties and production costs was \$1,137,000, up 28% from \$891,157 in the first six months of 1961.

The decline of reserves in many of Alberta's low production fields is resulting in increased production allowables for Alminex's highly rated wells. It is expected that demand for Alminex's lighter gravity

crudes will increase at a much greater pace than the demand for western Canadian crude oil. In addition, rising sales of natural gas in Canada and the United States is improving the sales outlook for Canadian gas producers.

BRUNSWICK MINING AND SMELTING CORPORATION LIMITED

Patiño holds approximately 15% of the shares of Brunswick Mining and Smelting Corporation Limited (BMS). BMS is bringing into production one of the largest lead and zinc deposits in the world, on a 17,500 acre site near Bathurst, New Brunswick.

It is expected that the mine will reach production by the end of 1963, at a daily production rate of 3,000 tons of ore.

Financing to bring the mine into production was completed this year on favourable terms for BMS.

Société Générale des Minerais, S.A. (SGM), of Brussels, Belgium, is purchasing \$11,520,000 (U.S.) 6% First Mortgage Bonds, repayable by 1971, and has agreed to purchase the total output of lead and zinc concentrates of BMS at world market prices. After five years BMS may divert any concentrates necessary for a smelter which BMS may construct in New Brunswick. SGM will continue to take any concentrates not needed for the smelter for the remainder of the twelve-year contract.

Engineering Consultants Limited (ECL) of Saint John, New Brunswick, is purchasing up to \$8,000,000 principal amount of 6% First Mortgage Bonds and has also guaranteed to provide any additional funds necessary to bring the mine and mill into production. In addition, ECL is providing management and consulting services to BMS during the period of development of the mine and constructing and tuning-up of the mill.

ECL will receive a fee for its management services of 8% of the estimated cost of the project; present cost estimates used for calculating the fee are \$17,500,000. ECL will also receive about 750,000 treasury shares in return for purchasing First Mortgage Bonds and guaranteeing the financing of any overrun of costs.

In return for an interest-bearing demand note for \$110,000, representing moneys advanced to East Coast Smelting and Chemical Company Limited (East Coast) by East Coast shareholders for corporate purposes, BMS received an irrevocable option until December 31st, 1968, but not the obligation, to purchase all outstanding shares of East Coast in exchange for 600,000 shares of BMS. Such option will not be exercised unless and until BMS determines to construct a smelter under favourable legislation enacted in 1961 wherein smelter exclusivity and government guaranteed financing are available for a smelter constructed by East Coast.

CANADIAN DREDGE AND DOCK CO. LIMITED

Patiño is the largest single shareholder in Canadian Dredge and Dock Co. Limited, a leading publicly-owned contracting firm, operating, directly and through subsidiaries, in dredging, harbour construction, general construction and repairs.

Until two years ago, the Company operated primarily in dredging and related marine construction fields. However, prior to the completion of the St. Lawrence Seaway, the Company started a program of expansion and diversification of activities. Despite competition throughout the industry, this program has been successful and Canadian Dredge has established itself across Canada as a leader in several new types of work.

Canadian Dredge, both directly and through subsidiaries, is a major contractor on projects such as harbour improvements in St. Johns, Newfoundland, highway construction in Nova Scotia, industrial wharf construction in Quebec, construction of the Gardiner Expressway in Toronto, Ontario, construction of the South Saskatchewan dam, laying of sanitary sewer laterals in British Columbia as well as a number of dredging and other projects in Canada and the U.S.A.

Although profits are restricted by intense competition and high depreciation allowances on new equipment purchases, Canadian Dredge achieved a satisfactory profit for the fiscal year ended April 30, 1962. Profit before depreciation and taxes was \$2,548,000 while net profit was \$605,000.

COPPER RAND MINES DIVISION

The Patiño Mining Corporation will continue to operate the copper properties in Chibougamau, Quebec, approximately 300 miles north of Montreal. These are currently producing at an annual rate of approximately 30,000,000 pounds of copper, 33,000 fine ounces of gold and 105,000 fine ounces of silver.

At September 30th, 1962, estimated proven, probable and possible ore reserves (as shown on page 20) were 6,662,500 tons of 2.51% copper and 0.06 ounces gold. Ore reserves at December 31, 1961 were 3,000,000 tons of 2.75% copper and 0.08 ounces gold.

During the first 9 months of 1962, Copper Rand milled 480,821 tons of ore (or an average of 1,761 tons per day). Copper produced was 22,865,229 pounds, gold 24,303 fine ounces and silver 80,562 fine ounces. The average price received for copper was 30.55¢ per pound compared with 28.89¢ per pound in 1961.

Net revenue from metal shipments (as shown in the financial statements on page 14) totalled \$6,152,068. After preproduction and deferred development expenditures of \$848,451 and provision for depreciation of \$694,289, net profit for the 9 months amounted to \$1,396,648 or 10.3 cents per share.

ROTHESAY SYNDICATE

Rothestay Syndicate, comprising ten members, is studying the feasibility of financing, constructing and operating a newsprint mill to be located near Saint John, New Brunswick with an initial annual capacity of 140,000 tons of newsprint when in full operation. Total estimated cost of the project is approximately \$32,000,000.

The members of the Rothestay Syndicate have the right to advance a total of \$2,750,000. Of this amount, Patiño's portion is \$1,000,000. To date the Rothestay Syndicate has spent, or undertaken firm commitments, to the extent of approximately \$700,000.

THE SOUTHERN MARYLAND AGRICULTURAL ASSOCIATION OF PRINCE GEORGE'S COUNTY, MARYLAND, INC.

The Southern Maryland Agricultural Association of Prince George's County, Maryland, Inc. (Southern Maryland), which is 46% owned by Patiño, holds 11% of the issued capital of General Tin Investments Limited. In February, 1962, Southern Maryland — which in March, 1962 merged with Patiño Mines & Enterprises Consolidated (Incorporated) which owned and operated in Bolivia the world's largest lode tin mines until 1952 when its properties were seized by the Bolivian Government — purchased the assets of the Bowie Race Track in the State of Maryland; continued its program of active search for and investigation of attractive mining projects; and entered into further negotiations with the Government of Bolivia to settle the amount and means of compensation.

The purchase of the Bowie Race Track was dictated by considerations of sound investment. The corporation intends to continue as its principal business its participation in mining.

Under Southern Maryland's policy to continue its participation in mining as its principal business, the search for attractive mining opportunities has led to the examination of a number of prospects in the United States, Canada and Puerto Rico. Of these, three initial areas in Quebec and Newfoundland were selected for further field investigation. It is anticipated that field investigations of these areas will be completed by late November.

The Bowie Race Track has operated continuously since 1914 and is one of the three one-mile thoroughbred tracks (the others being Pimlico and Laurel) licensed to operate in the State of Maryland. Located midway between Washington and Baltimore and comprising approximately 475 acres, it is well serviced by roads, bus lines and railways. The grandstand is glass enclosed and heated to permit winter racing. There are seating facilities for 11,000, 1,224 horse stables, parking space for 9,600 cars and dining, betting and other facilities to handle attendance in excess of 25,000. This year Bowie had 40 days of racing and recent practice has seen the meet commence in early February. It is anticipated that the 1963 Meet will commence late in January. The three one-mile tracks (Bowie, Laurel and Pimlico) agreed to take over the operation of the Baltimore Raceway (24 days of night trotting) and the Bel Air

Race Track (12 days of thoroughbred half-mile racing), which in 1962, were run during the months of July, August, September and October.

During 1962, 12% of total betting (mutuel handle) was deducted, plus the breakage, and the balance returned to the successful bettors under Bowie's Pari-Mutuel Totalisator system. Of the 12%, 5% went to the State of Maryland, plus half of the breakage. (Winning bettors receive a pay-off calculated to the nearest dime below the true pay-off calculated by the totalisator. "Breakage" refers to the odd pennies which are retained by the State and track.) The track received 6½%, plus half the breakage, and the remaining ½% was paid to the Maryland Racing Fund. The moneys paid into the Racing Fund can be withdrawn against improvements or major repairs which have been approved by the Commission.

Under a contract with the Horsemen's Benevolent and Protective Association, Bowie paid 48% of 7% of the mutuel handle for the preceding year. About 20% of such total was given in stakes and the balance paid out in over-night purses. Total of stakes and purses awarded during the 1962 meet amounted to \$1,253,844.

The 1962 meet which opened on February 9th continued to March 29th. Although two racing days were lost due to inclement weather conditions, these were recovered at the end of the meet. The gross revenue per day was about 8½% higher than 1961 and compared favourably with operations of prior years.

The total pari-mutuel handle for the 40 day 1962 meet was \$39,317,165 or nearly one million dollars a day. Attendance averaged 10,475 persons who made average per person per day bets of \$94.

Weather will continue to play a part in the fortunes of the track.

The directors of Southern Maryland and Patiño consider the investment sound, with good opportunity for capital enhancement.

GENERAL TIN INVESTMENTS LIMITED

In February, 1962, Patiño and The Southern Maryland Agricultural Association of Prince George's County, Maryland, Inc. (Southern Maryland) purchased a controlling interest in General Tin Investments Limited (GTI). Of the outstanding shares Patiño holds 41.6% and Southern Maryland 11%. In addition, Patiño received an option valid until December 31, 1964 to purchase 9.11% of the issued ordinary shares of Consolidated Tin Smelters Limited (CTS) at 55/- (fifty-five shillings) per share. This option, together with Patiño's direct holding of CTS shares and GTI's holding of CTS, represents over 50% of the outstanding ordinary shares of CTS.

General Tin Investments Limited is an English mining holding company with three major interests, GTI has a portfolio of high quality equity investments with a market value at December 31, 1961 exceeding \$7.0 million. GTI also holds effective control of two major companies — Consolidated Tin Smelters Limited and British Tin Investment Corporation Limited (BTI). On the basis of market values, these two companies form over two-thirds of GTI's total assets.

At December 31, 1961, GTI had investments with a market value of £7,505,661 (\$22.5 million). Net revenue, after tax, for the year ended December 31, 1961 was £296,771 (\$890,000).

It is not the practice of GTI to issue interim financial reports. However, for the year ending December 31st, 1962, the Directors of GTI declared dividends totalling 15% on the 5/- shilling par value of GTI shares. This compares with the equivalent of 13.8% (based on present capitalization) for 1961, 11.2% for 1960 and 9.6% for 1959 (see attached Consolidated Revenue accounts of GTI).

Through its direct and indirect investments in GTI, CTS and BTI, Patiño controls over \$60 million in securities and liquid assets and is a leading factor in the world tin producing and smelting industries.

Consolidated Tin Smelters and its subsidiaries are the largest tin smelters in the world. In 1961, the CTS group smelted over 40% of total free world production of tin. CTS owns and operates, through subsidiaries, smelters in England, the Federation of Malaya, Nigeria and Australia. CTS smelts a major portion of the concentrates produced by the two leading tin mining countries. Eastern Smelting Company Limited, a 55% controlled subsidiary of CTS, at Penang, Federation of Malaya, smelts a substantial part of Malayan tin concentrates, while Williams, Harvey & Company Limited, a wholly-owned subsidiary of CTS at Liverpool, England, smelts the major portion of Bolivian tin concentrates. CTS's Makeri smelter is the most important smelter of Nigerian tin concentrates, while CTS's Sydney smelter is the largest tin smelter in Australia. CTS has additional widespread interests through subsidiaries in a number of fields.

CONSOLIDATED TIN SMELTERS LIMITED
SUBSIDIARY COMPANIES

Tin Smelters:

Williams, Harvey & Co. Ltd., Liverpool
Cornish Tin Smelting Co. Ltd.
Penpoll Tin Smelting Co. Ltd.
Eastern Smelting Co. Ltd., Penang, Federation of Malaya
Sydney Smelting Co. Pty. Ltd., Sydney, New South Wales
Makeri Smelting Co. Ltd., Jos, Northern Nigeria

Tin Products:

Keeling & Walker Ltd., Stoke-on-Trent, Tin Oxide
G. J. Wallace & Co. Pty. Ltd., New South Wales, Tin Alloys
(Incorporation Smelters & Refiners Pty. Ltd.)

Electrical Laminations:

Geo. L. Scott & Co. Ltd., Ellesmere Port, Cheshire

Plastics:

Heath Holdings Pty. Ltd., Sydney, New South Wales

Road Haulage:

Kirkdale Haulage Co. Ltd., Liverpool
William Lewis Ltd., Liverpool

Financial:

C.T.S. Australia Pty. Ltd., Canberra, Australian Capital Territory
Eastern Development Co. Ltd., Penang, Federation of Malaya

Associated Companies:

Wm. Symington & Son. Ltd., London, Bulk Latex Importers
Wilbraham & Smith Ltd., London, Metal Stockists
Sometox S.A., Gintelom, Belgium, Tin Oxide

For the fiscal year ended March 31, 1962, funds available from earnings for distribution to ordinary shareholders of CTS after allowing approximately £100,000 retained by subsidiaries, amounted to £241,252 (\$725,000). Net book value attributable to share members was approximately \$20.5 million.

British Tin Investment Corporation is an English mining holding company with two major interests. It holds a portfolio of high quality equity investments with a market value at December 31, 1961 of approximately \$8.6 million. BTI also had important holdings in a number of leading Malayan and other world tin producing companies which had a market value of approximately \$25.9 million. In the year ended December 31, 1961, BTI had net revenue after tax of £541,059 (\$1,625,000).

BRITISH TIN INVESTMENT CORPORATION LIMITED
LIST OF PRINCIPAL TIN INVESTMENTS

Amalgamated Tin Mines of Nigeria Ltd.
Ayer Hitam Tin Dredging Ltd.
Berjuntai Tin Dredging Ltd.
Gopeng Consolidated Ltd.
Kamunting Tin Dredging Ltd.
London Tin Corporation Ltd.
Malayan Tin Dredging Ltd.
Southern Kinta Consolidated Ltd.
Southern Malayan Tin Dredging Ltd.
Sungei Besi Mines Ltd.
Tronoh Mines Ltd.

GENERAL TIN INVESTMENTS LIMITED

CONSOLIDATED REVENUE ACCOUNTS OF THE COMPANY AND ITS SUBSIDIARY

For the Years Ended 31st December 1959, 1960 and 1961

	1959	1960	1961	Translated at the rate of £1 = \$3.01 (Canadian funds)		
	£	£	£	1959	1960	1961
Income from investments (gross)	339,657	387,185	491,084	1,022,368	1,165,427	1,478,163
Interest and commissions, etc.	6,339	8,110	9,306	19,080	24,411	28,011
Profit on dealings in shares, etc. by subsidiary	6,146	10,427	2,826	18,499	31,385	8,506
	352,142	405,722	503,216	1,059,947	1,221,223	1,514,680
<i>Less:</i>						
Directors' fees	5,375	5,302	5,106	16,179	15,959	15,369
Administration and general charges	5,609	9,602	8,712	16,883	28,902	26,223
Expenses of obtaining Stock Exchange Quotation	—	3,347	—	—	10,074	—
Expenses of Capital Increase and Subdivision	—	—	4,153	—	—	12,501
	10,984	18,251	17,971	33,062	54,935	54,093
	341,158	387,471	485,245	1,026,885	1,166,288	1,460,587
<i>Less:</i>						
Income Tax on dividends and interest received, less amounts recovered	129,791	143,884	185,074	390,671	433,091	557,073
Profits Tax	2,300	3,700	3,400	6,923	11,137	10,234
	132,091	147,584	188,474	397,594	444,228	567,307
Net revenue for the year	209,067	239,887	296,771	629,291	722,060	893,280
<i>Add:</i>						
Transfer from investment provision of subsidiary	15,762	—	—	47,444	—	—
Balance brought forward from prior year	143,089	159,158	163,825	430,698	479,066	493,113
	367,918	399,045	460,596	1,107,433	1,201,126	1,386,393
<i>Deduct:</i>						
Transfer to general reserve	50,000	50,000	100,000	150,500	150,500	301,000
Interim Dividends paid, less tax at 7s. 9d. (38.75%) —						
4% paid 5th May, 1959 on £2,160,000 (\$6,502,000)	52,920	—	—	159,289	—	—
8% paid 5th November, 1959 on £2,160,000 (\$6,502,000)	105,840	—	—	318,578	—	—
4% paid 13th May, 1960 on £2,160,000 (\$6,502,000)	—	52,920	—	—	159,289	—
10% paid 17th November, 1960 on £2,160,000 (\$6,502,000)	—	132,300	—	—	398,223	—
6% paid 17th May, 1961 on £2,160,000 (\$6,502,000)	—	—	79,380	—	—	238,934
9% paid 23rd November, 1961 on £2,700,000 (\$8,127,000)	—	—	148,837	—	—	448,000
(Equivalent on new capital)	(9.6%)	(11.2%)	(13.8%)	(9.6%)	(11.2%)	(13.8%)
	208,760	235,220	328,217	628,367	708,012	987,934
	£ 159,158	£ 163,825	£ 132,379	\$ 479,066	\$ 493,114	\$ 398,459
Balance as at December 31						

EXPLANATORY NOTES

AS TO POUNDS STERLING — The Revenue Accounts above were extracted from the Annual Reports of the Company for the applicable year. These accounts were reported on by the Company's Auditors in each of the respective years.

AS TO CANADIAN DOLLARS — The Canadian dollars above are a re-statement of the Pounds Sterling also above, based on the rate of £1 = \$3.01 (Canadian funds). Accordingly this translation does not take account of fluctuations in exchange rates over the three-year period.

PRO FORMA DIAGRAM OF THE HOLDINGS
OF
THE PATIÑO MINING CORPORATION

